

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION
Water Utilities Branch

RESOLUTION NO. W-3658
July 1, 1992

R E S O L U T I O N

(Res. W-3658) EPTCO-VISALIA WATER SYSTEM (EWS) ORDER
AUTHORIZING A GENERAL RATE INCREASE PRODUCING
ADDITIONAL ANNUAL REVENUE OF \$1,487 (4.03%) IN 1992.

SUMMARY

This Resolution grants an increase in gross annual revenue of \$1,487 or 4.03% for test year 1992. The increase will provide a 14.40% rate of return on rate base in test year 1992.

BACKGROUND

EWS, by draft advice letter accepted by the Water Utilities Branch (Branch) on January 24, 1992 requests authority under Section VI of General Order (G.O.) 96-A and Section 454 of the Public Utilities Code to increase rates for water service by \$7,045 or 21.42% in 1992. EWS's request shows 1992 gross revenue of \$32,893 at present rates increasing to \$39,938 at proposed rates to produce a rate of return on rate base of 7.95%. EWS presently serves 226 flat rate customers and 9 metered rate customers in a small division of homes located approximately 1 mile west of the town of Visalia in Tulare County.

The present rates became effective on January 9, 1990 pursuant to Commission Resolution W-3481, which authorized a \$4,457 offset in rates to compensate for meter installation costs and water testing expenses. The last general rate increase, which authorized \$3,062 in additional revenue, was granted on February 24, 1988 pursuant to Commission Resolution W-3389.

DISCUSSION

The Branch made an independent analysis of EWS's summary of earnings. Appendix A shows EWS's and the Branch's estimated summary of earnings at present, requested, and adopted rates for test year 1992. Appendix A also shows differences in operating revenues, operating expenses and rate base.

EWS was informed of the Branch's differing views of revenues, expenses and rate base and has stated that it accepts the Branch's estimate.

EWS's draft advice letter requested rates which it estimated would produce a rate of return on rate base of 7.95%. The Branch is currently recommending a 13.90% to 14.40% standard rate of return range for small, 100% equity financed water utilities. Because EWS is well managed, the Branch recommends that EWS be allowed to earn a rate of return on rate base of 14.40%, which is the upper end of the recommended rate of return range. Although this recommended rate of

return is higher than the 7.95% requested by EWS, the total increase granted will still be lower than the original utility request.

As indicated earlier, most of EWS's customers receive flat rate service. Branch recommends increasing the rates in EWS's Schedule No. 2R, Residential Flat Rate Service by the system average increase authorized in this resolution. The Branch's proposed metered rate structure conforms with current rate design policy for small water companies which calls for the recovery of up to 100% of fixed costs (for Class "D" size companies) through the service charge and a single block quantity rate.

Enactment of Assembly Bill 2158 by the State Legislature requires the Department of Health Services (DOHS) to adopt regulations establishing an annual billing procedure for the collection of funds to carry out the State's drinking water program from all public water systems in California. In a letter dated October 17, 1991, EWS was informed by DOHS that its annual fee was estimated to be \$1,650 for fiscal year 1991-1992. EWS included this expense in its summary of earnings as shown in Appendix A. DOHS has recently informed the Branch that the \$1,650 was only an estimate and that the annual fees are still under review and it's unlikely that EWS will receive an actual bill in 1992. In view of this, the Branch has excluded the \$1,650 amount in its estimate but recommends that EWS be allowed to file an advice letter rate increase request to offset the annual fee once it has been officially determined and the bill has been received.

EWS has not been greatly affected by California's current drought. The water levels in its three wells have remained constant over the past several years. For this reason, the Branch believes that no further conservation measures should be ordered at this time.

A review of EWS's filed tariffs indicates that it has not updated Tariff Rules Nos. 15 and 16, and filed a Connection Fee Data Form pursuant to Commission Decision No. 91-04-068 which authorized small water utilities to accept amounts in contribution as connection fees to cover the actual cost to the utility of installing new connections. The Branch has provided EWS with all the necessary information to file the revised Rules and Connection Data Fee Form. In view of this, the Branch recommends that EWS should be required to file, by advice letter, the revised Tariff Rule Nos. 15 and 16, and a Connection Fee Data Form within 60 days of the effective date of this resolution.

At Branch's recommended rates shown in Appendix B, the bill for a 1-inch flat rate residential connection would increase from \$11.42 to \$11.88 (4.0%) per month.

NOTICE AND PROTESTS

A notice of the proposed rate increase was mailed to each customer on February 7, 1992. There were no responses to this mailing. The Commission's Consumer Affairs Branch has not received any service complaints against EWS over the last three years.

A public meeting was held on February 25, 1992 in the vicinity of EWS's service area. The Branch's representative explained Commission rate setting procedures, and the utility owner explained the need for the rate increase. EWS is owned by the Ralston family who also own the Nish and Buhl Water Systems. As all three systems are currently involved in advice letter filings, the public meeting was held jointly for all three systems. Nine customers attended this meeting and though some felt the requested increase was excessive, they all expressed an understanding of the need for a rate increase. All nine customers also agreed that each company provides good water service.

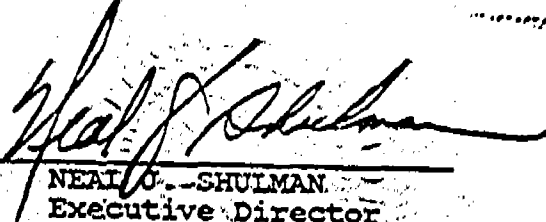
FINDINGS AND CONCLUSIONS

1. The Branch's recommended summary of earnings (Appendix A) is reasonable and should be adopted.
2. The rates recommended by the Branch (Appendix B) are reasonable and should be adopted.
3. The quantities (Appendix D) used to develop the Branch's recommendations are reasonable and should be adopted.
4. EWS should be authorized to file an advice letter rate increase request to offset the DOHS annual fee mandated by AB 2158 once the official bill has been received.
5. The Branch recommends that EWS should be required to file, by advice letter, revised Tariff Rules Nos. 15 and 16, and a Connection Fee Data Form pursuant to Commission Decision No. 91-04-068 within 60 days of the effective date of this resolution.
6. The rate increase authorized herein is justified, and the resulting rate is just and reasonable.

IT IS ORDERED THAT:

1. Authority is granted under Public Utilities Code Section 454 for EPTCO-Visalia Water System to file an advice letter incorporating the summary of earnings and revised rate schedule attached to this resolution as Appendix A and B respectively, and concurrently to cancel its presently effective rate Schedule Nos. 1 and 2R. Its filing shall comply with General Order 96-A. The effective date of the revised schedule shall be five days after the date of filing.
2. For the purpose of earnings tests in any future offset rate increase requests for EPTCO-Visalia Water System, a rate of return on rate base not exceeding 14.40% shall be considered reasonable.
3. EPTCO-Visalia Water System is authorized to file an advice letter rate increase request to offset the Department of Health Services annual fee mandated by Assembly Bill 2158 once the official bill has been received.
4. With 60 days of the effective date of this resolution, EPTCO-Visalia Water System shall file an advice letter to revise Tariff Rule Nos. 15 and 16, and include in its tariffs a Connection Fee Data Form pursuant to Commission Decision No. 91-04-068.
5. This resolution is effective today.

I certify that this resolution was adopted by the Public Utilities Commission at its regular meeting on July 1, 1992. The following Commissioners approved it:


NEAL O. SHULMAN
Executive Director

DANIEL Wm. FESSLER
President
JOHN B. OHANIAN
PATRICIA M. ECKERT
NORMAN D. SHUMWAY
Commissioners

Appendix A

EPICO-VISALIA WATER SYSTEM

Summary of Earnings / Test Year 1992

ITEM	: Utility Estimated :		: Branch Estimated :		: Adopted :
	: Present :	: Requested :	: Present :	: Requested :	
	: Rates :	: Rates :	: Rates :	: Rates :	: Rates :
Operating Revenue					
Flat Rate	31,388	38,111	33,815	40,549	35,180
Metered Rate	<u>1,505</u>	<u>1,827</u>	<u>3,094</u>	<u>3,745</u>	<u>3,216</u>
Total Revenue	32,893	39,938	36,909	44,294	38,396
Operating Expenses					
Purchased Power	9,007	9,007	9,072	9,072	9,072
Materials	559	559	559	559	559
Contract Work	2,750	2,750	2,750	2,750	2,750
Transportation	2,164	2,164	2,164	2,164	2,164
Office Salaries	2,267	2,267	2,267	2,267	2,267
Management Salaries	7,965	7,965	7,965	7,965	7,965
Pensions & Benefits	960	960	960	960	960
Uncollectible Acct	160	160	152	183	160
Office Serv. & Rent	1,802	1,802	1,802	1,802	1,802
Office Supp. & Exp	2,764	2,764	2,764	2,764	2,764
Insurance	915	915	915	915	915
Reg Comm Exps	588	588	588	588	588
Dept Health Fee	<u>1,650</u>	<u>1,650</u>	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal	33,551	33,551	31,958	31,989	31,966
Depreciation	2,564	2,564	2,083	2,083	2,083
Non-Income Taxes	650	650	1,262	1,262	1,262
Income Taxes	<u>1,260</u>	<u>1,260</u>	<u>368</u>	<u>2,052</u>	<u>707</u>
Total Deductions	38,025	38,025	35,671	37,386	36,018
Net Revenue	(5,132)	1,913	1,238	6,908	2,378
Rate Base					
Average Plant	71,220	71,220	71,220	71,220	71,220
Average Depr Resrv	50,640	50,640	55,260	55,260	55,260
Net Plant	20,580	20,580	15,960	15,960	15,960
Less Advances	0	0	0	0	0
Contribution	0	0	0	0	0
Plus Working Cash	2,930	2,930	0	0	0
Materials	559	559	559	559	559
RATE BASE	24,069	24,069	16,519	16,519	16,519
Rate of Return	(Loss)	7.95%	7.49%	41.82%	14.40%

Appendix B
Page 1

EPTCO-VISALIA WATER SYSTEM

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Tract 179, and vicinity, located approximately 1 mile west of the city limits of Visalia, Tulare County.

RATES

Quantity Rates:	Per Meter	Per Month
All water, per 100 cu. ft.....	\$ 0.12	(R)
Service Charge:		
For 5/8 x 3/4-inch meter	\$ 7.70	(I)
For 3/4-inch meter	\$ 11.55	
For 1-inch meter	\$ 19.25	
For 1 1/2-inch meter	\$ 38.50	
For 2-inch meter	\$ 61.60	(I)

Service Charge is a readiness-to-serve charge which is applicable which is applicable to all metered service and to which is to be added the monthly charge computed at the Quantity Rates.

SPECIAL CONDITIONS

1. All bills are subject to the reimbursement fee set forth in Schedule No. UF.

(continued)

Appendix B
Page 2

EPTCO-VISALIA WATER SYSTEM

Schedule No. 2

GENERAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all water service furnished on a flat rate basis.

TERRITORY

Tract 179, and vicinity, located approximately 1 mile west of the city limits of Visalia, Tulare County.

RATES

	Per Service Connection per month <u>for 3/4" service for 1" service</u>			
1. For each single-family residential unit, including premises not exceeding 10,000 sq. ft. in area	\$10.40	(I)	\$11.88	(I)
b. For each additional 100 sq. ft. of premises in excess of 10,000 sq. ft in area	\$0.072		\$0.075	
c. For each additional single-family residential unit on the same premises and served from the same service connection	\$ 4.65	(I)	\$ 5.55	(I)
2. For each Beauty Shop	-		-	(D)
3. For each Car Wash	-		-	(D)
4. For each Grocery Store	-		\$27.05	(I)
5. For each Laundromat	-		\$34.15	(I)
6. For each Business Office	\$10.40	(I)	\$11.90	(I)

(continued)

Appendix B
Page 3

EPTCO-VISALIA WATER SYSTEM

Schedule No. 2
(continued)

GENERAL FLAT RATE SERVICE

SPECIAL CONDITIONS

1. The above residential flat rates apply to a service connection not larger than one inch in diameter.
2. Residential service not provided for above shall be furnished on a metered basis only.
3. If either the utility or the customer so elects, a meter shall be installed and service provided under Schedule No. 1, General Metered Service.
4. All bills are subject to the reimbursement fee set forth on Schedule No. UF.

End of Appendix B

Appendix C
Page 1

EPTCO-VISALIA WATER SYSTEM

Comparison of Rates

Test Year 1992

A comparison of EPTCO's present rates and the Branch's recommended rates is shown below:

METERED SERVICE ¹

Quantity Rates:	<u>present rates</u>	<u>Branch rates</u>	<u>% increase</u>
All Water served, per 100 cu ft.....	\$0.215	\$0.20	(44.2)
Service Charge:			
For 5/8 x 3/4-inch meter.....	\$ 4.75	\$ 7.70	62.1
For 3/4-inch meter.....	\$ 5.25	\$ 11.55	120.0
For 1-inch meter.....	\$ 7.15	\$ 19.25	169.2
For 1 1/2-inch meter.....	\$ 9.50	\$ 38.55	305.3
For 2-inch meter.....	\$12.90	\$ 61.60	377.5

NOTE: As the average monthly water sales for the nine 1-inch meter connections is 100 Ccf (per company data), the average metered customer will see an increase in their monthly bill from \$28.65 to \$30.60 or 6.81%.

(continued)

¹ There are currently 9 customers under the 1-inch metered service schedule.

Appendix C
 Page 2

EPTCO-VISALIA WATER SYSTEM

Comparison of Rates
 (continued)

ANNUAL FLAT RATE SERVICE:

	3/4" Connection		
	<u>current rates</u>	<u>adopted rates</u>	<u>% increase</u>
1. For each single-family residence, including premises not exceeding 10,000 sq. ft. in area	\$ 10.00	\$ 10.40	4.0
For each additional 100 sq. ft. of premises in excess of 10,000 sq. ft.	\$ 0.072	\$ 0.075	4.1
For each additional single-family residence, on the same premises and served from the same connection	\$ 4.40	\$ 4.60	4.5
2. For each Business Office	\$ 10.00	\$ 10.40	4.0

	1" Connection		
	<u>current rates</u>	<u>adopted rates</u>	<u>% increase</u>
1. For each single-family residence, including premises not exceeding 10,000 sq. ft. in area	\$ 11.42	\$ 11.88	4.0
For each additional 100 sq. ft. of area in excess of 10,000 sq. ft.	\$ 0.072	\$ 0.075	4.1
For each additional single-family residence, on the same premises served from the same connection	\$ 5.34	\$ 5.55	3.9
2. For each Grocery Store	\$ 25.98	\$ 27.05	4.1
3. For each Laundromat	\$ 32.84	\$ 34.15	4.0
4. For each Business Office	\$ 11.42	\$ 11.90	4.2

Appendix D
Page 1

EPICO-VISALIA WATER SYSTEM

Adopted Quantities

Test Year 1992

1. Purchased Power

A) Electricity

Vendor	Southern California Edison
Effective Date	January 20, 1992
Schedule	PA - 1
Energy Charge, per KWh	.09344
Annual Consumption, (84,640 KWh)	\$7,909
Meter Charge, per month	\$34.95
Pump Hp Charge, per month	\$51.75

Total Electricity Charges \$8,950

B) Natural Gas

Vendor	Southern California Gas
Effective Date	January 8, 1991
Schedule	GN-10
Annual Consumption (Summer only)	4.0 Therms
Charge per Therm (Summer)	\$0.60181
Meter Charge, per day	\$0.32877

Total Annual Gas Charge \$122.00

Total Purchased Power \$9,072

2. Purchased Water NONE

3. Ad Valorem Taxes (1991-92 bill)

Composite Rate	\$376.88
Assessed Value	1.0487%
	\$35,942

4. Payroll Taxes \$10,232
Total Taxes (per 1991 tax filing) \$ 885

5. Annual Water Testing Expense \$750.00

Appendix D
Page 2

EPTCO-VISALIA WATER SYSTEM

Adopted Quantities

Test Year 1992

6. Service Connections:

Flat Rate	
3/4-inch connection	30
1-inch connection	194
Grocery Store	1
Laundromat	1
Total	226
Additional square footage per year	4,059,600

Metered Rates	
5/8x3/4-inch meter	0
3/4-inch meter	0
1-inch meter	9
1-1/2-inch meter	0
2-inch meter	0
Metered Water Sales Used to Design Rates	10,800 Ccf

(continued)

Appendix D
Page 3

EPTCO-VISALIA WATER SYSTEM

Test Year 1992

7. Adopted Tax Calculations

<u>ITEM</u>	<u>State Tax</u>	<u>Federal Tax</u>
Operating Revenue	\$38,396	\$38,396
Expenses	\$31,966	\$31,966
Taxes other than income	\$1,262	\$1,262
Depreciation	\$2,083	\$2,083
Interest	\$0	\$0
Taxable Income for State	\$3,085	
State Tax (@9.3%)	\$287	\$287
Taxable Income for FIT		\$2,798
Federal Income Tax (@15.0%)		\$420
Total Income Tax		\$707

End of Appendix D